



PARTNERING WITH SMALLER BUSINESSES IN A COMPETITIVE ENVIRONMENT

*“Small and Mid-size Companies
Competing With and Against Mega-
Sized Businesses”*

COMPETING IN A CHANGING ENVIRONMENT

- ◆ **Due to resource constraints DOD is increasing the size of the service contracts (Omnibus contracts)**
- ◆ **“Mega-sized” hardware companies find large services contracts more attractive as traditional OEM business declines**

THE SQUEEZE

- ◆ **Economics favor large business**
- ◆ **Government policy helps small business**
- ◆ **Mid-size firms caught in middle**

THE CONSEQUENCE

- ◆ Overall cost increases to the Government
- ◆ Mergers/Acquisitions reduce “competition base”

FACTORS DRIVING BUSINESS STRATEGIES

- ◆ **Use of large omnibus service contracts**
 - ◆ **Fuel acquisition/merger fire (reduces “competition base”)**
 - ◆ **Bundling (hurts small/mid-sized companies)**
 - ◆ **Limits competition -- increases B&P costs**
 - ◆ **Mega-sized companies can low ball and freeze out small/mid-sized companies**
- ◆ **Length of contracts**
 - ◆ **Ten years too long --no viable bidders remain**
 - ◆ **Allows opportunity to bid contract at loss for 5 years - make up in last 5 years**



FACTORS DRIVING BUSINESS STRATEGIES

- ◆ Large scale multiple award task & delivery order contracts
- ◆ Attractive to mega-sized companies
 - ◆ Strong arm tactics
 - ◆ JV's with mega-companies nearly impossible for small mid-sized companies
- ◆ Compete at 2 levels - drives up B&P cost
- ◆ Drives to lowest price - not best value
- ◆ Small business/mid-sized companies not perceived as creditable bidders (management capability/ financial strength)



FACTORS DRIVING BUSINESS STRATEGIES

- ◆ **Past Performance (Impacts Small, Mid-Size and Mega Companies)**
 - ◆ **Improves performance of marginal as well as good companies**
 - ◆ **Improper use, either inadvertently or by design, could destroy viable business**
 - ◆ **Performance evaluation plan should be specified in RFP/Contract**
 - ◆ **Direct requests to other Agencies by Contracting Officers is an uncontrolled process**



FACTORS DRIVING BUSINESS STRATEGIES

PAST PERFORMANCE (continued)

- ◆ **Past Performance Evaluation/Award fee separate process (only need one)**
- ◆ **Need better system to review and challenge before misunderstandings get reduced to writing**
- ◆ **Mega-sized companies - have advantage -- poor performance -- bid from another division/business unit**
- ◆ **Teaming Partners certify no history of bad performance**

CONCLUSIONS

- ◆ **Service contracting has been around a long time**
- ◆ **Process is not broken (suggested areas of improvement)**
 - ◆ **GAAP vs.CAS (reduce contractor costs)**
 - ◆ **SBA Reevaluate Small Business Size Standards**
 - ◆ **Expand Partnering Concept**
 - ◆ **Consider Preservation of “Competition Base” as “Best Value” Eval Factor**
 - ◆ **Move to Performance Based Contracts**
 - ◆ **Develop Metrics for Eval**
 - ◆ **Consistent with Past Performance Evals**



CONCLUSIONS (continued)

- ◆ **A-76 is failed process**
 - ◆ **Needs major rework**
- ◆ **Procurement Reform made it more difficult and costly for service contractors**
- ◆ **DOD current procurement strategies threaten “competition base” by fueling mergers/ acquisitions**
- ◆ **DOD Review Procurement Strategies and how/where they are driving Service Industry**